BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268-0001

POSTAL RATE & FEE CHANGES, 1997

Docket No. R97-1

RESPONSES OF TIME WARNER INC.
TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
TO WITNESS HALSTEIN STRALBERG (USPS/TW-T1-15-23)
(February 9, 1998)

Time Warner Inc. (Time Warner) hereby provides the responses of witness Halstein Stralberg (TW-T-1) to the following interrogatories of the United States Postal Service: USPS/TW-T1-15-23 (filed January 26, 1998). Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Timothy L. Keegan

February 9, 1998

RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF UNITED STATES POSTAL SERVICE

USPS/TW-T1-15. Please consider an identified container with loose flats that is sampled in the MODS platform (1Platfrm) cost pool. You claim that the flats "are mostly handled elsewhere." Is it reasonable to assume that the loose flats would either be sent to a cancellation, meter mail prep, or opening unit operation to be canceled and/or trayed prior to distribution or other handling? If your answer is negative, please explain how you would expect this mail to be handled.

USPS/TW-T1-15. Before answering your question, let me point out that it appears from this question and from USPS/TW-T-16b that the Postal Service agrees that flat mail (and I presume letter mail) appearing loose in containers at platforms and opening units is mail needing cancellation/meter prep and/or traying, in other words unsorted mail. It follows that this mail cannot be Periodicals mail, which is presorted as packages in sacks or on pallets by mailers and does not appear loose in containers. Consequently, it is incorrect to attribute the costs of handling these containers to Periodicals and other presorted subclasses, as I argued in my R94-1 rebuttal testimony and again in my testimony in this docket.[1]

It does appear reasonable to assume that loose pieces in a container at a platform will be handled in one of the ways you suggest. On the other hand, it apparently does not always happen that way. As can be seen from Table 6-2 in my testimony, letters and flats do sometimes appear loose in containers at various piece sorting operations. For example, $10.4 million in volume variable loose-letters-in-container costs in MODS offices, 40% of the total, appear at the BCS, MANL, OCR, LSM, LD15 and LD41-43 letter sorting operations. Since it is difficult to envision those operations placing loose letters in containers, the containers must have gotten there via platforms and opening units. The same applies to flats. It is not difficult to envision a facility supervisor concluding, for example, that it would be faster to take a hamper of loose flats (assuming they don't need cancellation) directly to a piece sorting operation, bypassing the extra step of traying at an opening unit or meter prep operation.

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[1] See Docket No. R94-1 , PRC's Opinion, paragraphs 3048 & 3068 and TW-RT-1 at 11-12 (Tr. 25/11850-51).

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USPS/TW-T1-16. Please consider an identified container with loose mailpieces that is sampled in a MODS opening unit cost pool (1OpBulk or 1OpPref). You claim that the loose mail is "mostly handled elsewhere."

(a) Please refer to the description of MODS operations 110C and 180C, in USPS-LR-H-48, Appendix A. Please confirm that an opening unit function is "traying letters and flats for case distribution."

(b) Is it reasonable to assume that loose mail in containers found in opening units is there to be trayed for subsequent processing? Please explain any negative response.

USPS/TW-T1-16.

a. Confirmed.

b. Please see my answer to USPS/TW-T1-15.

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USPS/TW-T1-17. Please refer to your testimony at page 21-22, and to USPS-LR-H-49, page 88.

(a) Please confirm that the IOCS definition of a "bundle" includes both "packages" of mailpieces assembled and secured together, and multiple pieces of mail not secured together that are handled as a unit.

(b) Please confirm that "bundles" observed at platforms and opening units are likely to be "packages" of mailpieces. If you do not confirm, please explain.

(c) Please confirm that "bundles" observed at piece distribution operations are likely to be multiple pieces of mail not secured together that are handled as a unit. If you do not confirm, please explain.

(d) Please confirm that "packages" of mailpieces are likely to consist of presorted mail. If you do not confirm, please explain.

USPS/TW-T1-17.

a. Confirmed. The fact that a "bundle" can mean one or the other, and that it can be a bundle of letters, of flats or of something else, is one of the weaknesses of the current IOCS scheme.

b. Bundles observed at platforms and opening units may correspond to either definition. An employee at a canceling operation may take a handful of letters and enter it in the canceling machine's feeder or remove it from an output stack in order to put it in a tray. At a meter mail prep or opening unit, employees may take handfuls of letters or flats in order to insert them in trays. In each case, employees would be recorded in IOCS as handling bundles, and in neither case are those bundles secured together.

   At operations dedicated exclusively to bundle sorting or pouching, the bundles are obviously likely to be secured together. But at other allied operations, such as those mentioned above, they may not be.

c. Bundles observed at piece distribution operations may correspond to either definition. What probably can be stated with some confidence is that bundles observed in containers are secured bundles, since if they were not secured they would be seen as loose mail. And since there are containers with bundles observed at various piece distribution operations (though less frequently than they are observed at allied operations) there obviously are secured bundles (packages) at piece sorting operations. Table 6-2 in my testimony shows, for example, that manual letter and flat distribution operations in MODS offices (including LD43 operations performed at stations and branches) account for 15% of all bundles-in-

container costs. Secured bundles may also arrive at a piece distribution in sacks. When removed from the sack (or container) such a bundle is still a secured bundle. Then when whatever holds the bundle together is removed, it becomes an unsecured bundle.

When an employee is sweeping a distribution case (or machine) he will remove a handful of letters or flats from the case (unsecured bundle). If he then puts a rubber band around it, it becomes a secured bundle which may later, for example, be distributed at a pouching unit.

d. The term "package," as used for example in the DMM, generally refers to a bundle that has been presorted by a mailer subject to certain prescribed standards. However, in the context of the preceding questions in this interrogatory, it appears that you are using the term to represent any secured bundle. Secured bundles may result from a piece distribution operation in which an employee puts a rubber band around letters or flats sorted to a given sorting bin. A label may then be put on this bundle and it may be sent to, for example, a pouching unit for further processing. Since a bundle of this type requires several handling steps, i.e., first securing it, then applying a label, then sorting the bundle, its probability of being observed by an IOCS clerk may be larger than that of a mailer-prepared bundle.

Secured bundles may also be found in the collection mailstream. A postal patron mailing a handful of letters or flats or both will sometimes put a rubber band or tie a string around them. This rubber band (string) may cause extra work as it has to be removed, by a carrier, culling operator or other postal employee, in order to allow processing of the individual pieces.

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USPS/TW-T1-18. Suppose the costs for bundles in identified containers at platform and opening units were distributed across all cost pools (TW-T-1, page 22, lines 3-4).

a. Please confirm that the mixed-mail costs to be distributed would consist primarily of packages of presorted mail. If you do not confirm, please reconcile your answer with your testimony at page 22, lines 16-19.

b. Please confirm that the tallies used to distribute the mixed-mail costs would consist primarily of handlings of multiple pieces of mail at distribution operations. If you do not confirm, please explain the meaning of the 22.77% figure you report at page 21, line 10 of your testimony.

c. Please confirm that your alternative identified container distribution would assign a disproportionately large share of costs to relatively less presorted subclasses of mail. If you do not confirm, please explain how your method purports to avoid such a result.

USPS/TW-T1-18.

a. As explained in my answer to USPS/TW-T-17d, secured bundles found in containers may either be prepared by presort mailers, or be the result of previous USPS piece sorting, or they may be just bundles of unsorted pieces entered by postal patrons through the collection mailstream. This is not inconsistent with the cited part of my testimony, which simply points out that when pallets or sacks of Periodicals bundles do get opened, the bundles in them are sorted into various types of containers. That does not imply that other types of bundles are not also being transported in containers.[1]

b. The 22.77% figure is the percent of bundle handling (in volume variable costs) performed at platforms and opening units in MODS offices. However, as explained in my answer to USPS/TW-T1-17c, not all bundle handlings at other operations represent handling of unsecured bundles.

   If your claim were true, then the distribution key in your hypothetical, consisting of all direct bundle handling costs in MODS offices, should be roughly similar to the distribution of direct piece handling costs. In fact, it is rather different. Table USPS-18, attached to this answer, shows what the key (given in percentages) would actually be like and compares it with the distribution of all other (non-bundle) direct costs and with the direct piece handling costs in MODS offices.

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[1] Note that the most presorted bundles, i.e. those with carrier route presort, are mostly transported on pallets (not considered containers in IOCS jargon), or in sacks, often directly to the delivery units, and therefore have relatively little probability of being sampled by IOCS clerks in MODS offices.

As the table shows, the hypothetical distribution key would assign to the Periodicals subclasses a percentage of bundles-in-container costs roughly twice their percentage of other direct costs and piece handling costs. Standard A carrier route mail, probably the most highly presorted category, would be assigned a percentage more than four times its share of other direct costs. Most non-presorted categories, on the other hand, would be assigned percentages substantially less than their share of piece handling costs and other direct costs. See also my answer to part c below.

c. This question appears to reflect a fundamental misunderstanding of what my proposed mixed mail cost distribution method consists of. I do not propose to distribute the costs of bundles observed in containers on the basis of costs of bundles outside containers, either within pools (as Degen does) or across pools. Distributing bundle-in-container costs upon bundle-out-of-container costs is inappropriate for several reasons, including the fact that a bundle can mean many different things. It can be a mailer prepared package of letters or flats, a secured bundle of letters or flats created in a postal piece sorting operation, or any handful of letters and flats that an employee is seen holding in his hand, among other things.

The mixed mail method I do propose is to distribute all shape-related mixed mail costs based on the corresponding shape-related direct costs, within CAG and basic function, and to distribute all other mixed mail costs based on all direct costs, again within CAG and basic function.

As to your assertion that the hypothetical method would "assign a disproportionately large share of costs to relatively less presorted subclasses of mail," I can neither confirm nor disprove it. As Table USPS-18 shows, the hypothetical method would in fact assign to the presorted subclasses percentages of the bundles-in-container costs that far exceed their percentages of the direct costs. So would Degen's pool-by-pool method. Whether the percentages in Table USPS-18 match the true cost distribution by subclass for bundles in containers is impossible to determine, due to the Postal Service's decision to collect no subclass-related data for mixed mail containers.

In any event, it makes little sense to strive for a perfect distribution of one small subset of the mixed mail costs if one cannot also provide a fair distribution of the remaining costs. As can be seen from Table 6-2 in my testimony, the volume variable bundles-in-container costs in MODS offices are $19.481 million. But the corresponding costs are $27.144 million for loose letters and cards in containers and $27.050 million for loose flats in containers. As the Postal Service appears to be confirming in USPS/TW-T1-15 and USPS/TW-T1-16, these larger cost categories represent unsorted mail and it follows that they should not be attributed at all to the presorted subclasses. Yet Degen's method assigns a substantial portion of those costs to presorted mail, including Periodicals. Unfortunately, there appears to be no reliable way to determine how exactly those costs should be assigned, due again to

the Postal Service's decision to not collect any subclass data on mixed mail in containers.

I pointed out the irrationality of distributing the costs of loose pieces in containers to presorted subclasses in my R94-1 testimony and again in my testimony in this docket. The apparent impossibility of producing a reasonable way to distribute these fairly large cost categories, along with the asymmetrical treatment of pallets relative to other containers, were the main reasons why I concluded that it would be preferable to return to a traditional method of distributing mixed mail costs, until the Postal Service either devices an entirely new scheme for collecting mixed mail cost data, or fixes the several deficiencies in the current scheme.

Table USPS-18: MODS Direct Bundle Costs And Other Direct Costs

Subclass	Direct Bundles	Direct Non-Bundles	Direct Piece Handling
1-1C LP	39.19%	54.75%	56.65%
2-1C PR	12.21%	10.61%	10.18%
3-PSTLC	0.03%	0.03%	0.03%
4-PVTC	1.53%	1.69%	1.75%
5-PRSTC	0.59%	0.48%	0.52%
6-PRIOR	0.41%	3.80%	4.01%
7-EXPRS	0.08%	0.53%	0.54%
8-MGRAM	0.00%	0.00%	0.00%
9-2C211	0.21%	0.10%	0.10%
9-2C212	6.84%	3.42%	3.39%
9-2C213	1.18%	0.63%	0.64%
9-2C214	0.02%	0.03%	0.03%
10-3COZ	0.49%	0.71%	0.78%
11-3CRGP	5.59%	1.34%	1.19%
12-3CRGO	21.12%	12.48%	12.56%
13-3CNPP	0.62%	0.16%	0.14%
14-3CNPO	6.71%	3.23%	3.21%
15-4CPCL	0.09%	0.53%	0.57%
16-4CPRN	0.24%	0.26%	0.28%
17-4CSPC	0.03%	0.23%	0.25%
18-4CLIB	0.03%	0.06%	0.07%
19-USPS	0.38%	0.84%	0.85%
20-FREE	0.03%	0.08%	0.08%
21-INTL	1.42%	2.15%	2.19%
22-REGIS	0.06%	0.44%	0.00%
23-CERT.	0.07%	0.11%	0.00%
24-INS.	0.00%	0.00%	0.00%
25-COD	0.00%	0.01%	0.00%
26-SP DL	0.00%	0.00%	0.00%
27-SP HD	0.00%	0.00%	0.00%
28-OTHSV	0.59%	1.00%	0.00%
5345	0.00%	0.01%	0.00%
5340	0.24%	0.17%	0.00%
5301	0.00%	0.04%	0.00%
5331	0.00%	0.01%	0.00%
5341	0.00%	0.02%	0.00%
Total	100.00%	100.00%	100.00%

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USPS/TW-T1-19. Please consider an employee who is loading a barcode sorter (BCS). The employee is sampled while holding several mailpieces that were removed from a letter tray and are about to be placed in the feeder mechanism.

a. Please confirm that the employee should be recorded in IOCS as handling a bundle. If you do not confirm, please explain.

b. Please confirm that the mail the employee is observed handling would probably have been moved to the BCS in the tray. Please also confirm that the tray would likely have been placed in a rolling container to be moved. If you do not confirm, please explain.

c. Is it necessary that mail handled as bundles in a BCS operation be moved to the operation in bundle form? If not, what is the relevance of the statement at TW-T-1, page 21, lines 12-16?

USPS/TW-T1-19.

a. Confirmed.

b. Trays are most likely, although it appears from the MODS/IOCS data, somewhat counter-intuitively, that a fairly substantial portion also arrives as loose letters in containers. See Table 6-2 in my testimony. Trays may arrive in rolling containers or via conveyor belts.

c. No. I agree that the statement you refer to is misleading in that it implies that all bundles arrive in containers.

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USPS/TW-T1-20. Please refer to your testimony at page 23.

a. Do you think it is likely that an empty container being moved by an employee working a BCS (or other distribution) operation would either (i) have contained mail destined for BCS sortation or (ii) be filled with mail that had been sorted on the BCS? Please explain.

b. Do you think that mail distribution operations are commonly used as general empty equipment staging areas? Please explain any answer other than "no".

c. Please provide all reasons of which you are aware that might explain why empty equipment costs related to particular distribution operations should be treated as general overhead costs.

USPS/TW-T1-20.

a. I believe employees at BCS operations are more likely to move containers used at their own operation than they are to be moving containers used at other distribution operations.

b. I am not aware of any instructions regarding which areas should be used as staging areas for empty equipment. However, it is my impression that the staging areas used depend on where the equipment is emptied, where it is going to be used again, and on available space, which may vary between facilities. In the case of letter trays, letter distribution operations would obviously be logical staging areas. For sacks and pallets, opening units may be more likely. Containers on wheels take up a great deal of space, whether full or empty, making considerations of available space paramount.

c. The ideal way to attribute empty equipment costs would be for the Postal Service to develop a model, supported by live data, of how empty items and containers are really handled in the postal system, that allowed one to reliably associate costs of handling empty equipment with specific subclasses. Such a model does not exist. The question then becomes whether the method of attributing these costs in the way proposed by witness Degen in this docket is an acceptable substitute for an accurate model. My testimony presents several reasons for concluding that Degen's proposed method is not an acceptable alternative, and proposes instead that these costs, for the time being, be treated in a manner similar to that used by the Commission in the past. Some of my reasons for reaching this conclusion are repeated below.

   In the case of empty containers, one reason to reject Degen's approach is that it almost doubles the effect of the distortion caused by his distribution of mixed mail container costs, since empty containers cost almost as much to handle as containers

with mail. For example, as I have pointed out several times, it is inappropriate to attribute costs of containers with loose flats to Periodicals, since Periodicals generally do not appear as loose flats in containers. To also attribute to Periodicals the cost of those containers when they are empty makes matters worse.

Additionally, contrary to what you appear to suggest in parts a and b of this interrogatory, empty containers are not handled only by employees assigned to operations where the containers are filled or emptied. For example, mail processing facilities often receive from their delivery units truckloads of empty containers that are being returned after the early morning delivery run. These containers are unloaded by platform employees, who may store them temporarily at the platform or take them to an opening unit, or wherever space is available. Later, an opening unit employee may for example take such an empty container to a distribution operation (e.g. a BCS) where it will be filled with sorted mail. The BCS employees may never move the empty container, at least not before it has been filled with trays of mail and therefore is no longer empty. Eventually, the container may be moved to the platform again and sent back to the delivery unit, repeating the cycle.

In this example it obviously would be most correct to attribute the cost of handling this container, both when full and when empty, to the mail being handled at the BCS. But there would be no way to ascertain from Degen's data, even if IOCS samples were taken of this container being handled while empty, that it was being used for the BCS mail. Instead, the effect of Degen's approach would be to distribute its costs based on whatever mail is being handled individually at opening units or platforms, which may have a quite different subclass breakdown.

Similar considerations apply to empty items, which may be handled at several operations besides the operations where they are emptied or filled.

In order to resolve this dilemma, what is needed is more information about how empty items and containers really are handled in postal facilities. I recommend that the Postal Service undertake a study, which could have the dual purpose of: (1) determining the reasons for today's historically very high costs of handling empty equipment and finding way to reduce those costs; and (2) establishing a better basis for mail processing cost attribution. Questions that might be useful to address include: (1) how much of the empty container costs are spent moving containers back and forth simply in order to make space available for different operations; (2) how much is spent setting up opening units prior to distribution; (3) how much is spent recycling empty containers from delivery units back to the distribution operations where they will be filled again; and (4) which employees (assigned to which operations) normally perform these tasks? Of course, as mentioned several times in my testimony, it would also be very helpful to have subclass-specific data on full containers, indicating, for example, whether all those containers full of loose

letters and flats really contain collection mail, and if not what kind of mail they contain.

These and other pertinent questions simply cannot be answered within the confines of today's IOCS, and some other scheme (or a revamped IOCS) is necessary to address them. In the meantime, I recommend that empty equipment costs be attributed in the manner proposed in my testimony.

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USPS/TW-T1-21. Please refer to your testimony at pages 26-27.

a. Is it your testimony that "not handling costs" are not causally related to mail handlings in the same cost pool? If not, please explain your testimony.

b. Is it your testimony that witness Degen's not-handling distribution is incorrect primarily because you believe that "not handling costs" are not causally related to mail handlings in the same cost pool? If not, please explain your testimony.

c. Suppose it is correct to assume that "not handling costs" are causally related to mail handlings in the same cost pool. Would it then be appropriate to distribute the "not handling costs" within the same cost pool? Please explain fully.

USPS/TW-T1-21. This series of questions appears to be based on the assumption that not handling costs can never be causally related to the mail handlings within more than one pool. This very confining assumption is unlikely to lead to any real understanding of the cost relationships within mail processing.

Consider an example with only three cost pools and let MH_I be the costs of mail handling and NH_I the not handling costs in pool I, where I=1, 2 or 3. Assume that it has somehow been established that not handling costs are related to mail handling costs by formulas of type:

$$NH_1=C_{1,1}*MH_1 + C_{1,2}*MH_2 + C_{1,3}*MH_3$$ [1]

In this example, not handling costs are related to the mail handling costs within the same pool as well as to the mail handling costs in other pools, and it is therefore inappropriate to distribute them based only on the mail handling costs within the same pool. In reality, of course, the functional relationships between handling and not handling costs depend on the nature of the not handling costs. Furthermore, these relationships are not known and it appears that the Postal Service has made no attempt to study them, even though such a study is essential in order to come to grips with the true reasons for the ever increasing not handling cost component.

a. No. While some not handling costs may be totally unrelated to the mail handling costs within a pool (e.g. employees doing window service or administrative work while clocked into a pool for piece distribution), other types of not handling may be

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[1] This particular form may, for example, represent an employee whose base assignment is to a particular pool, but who during the day is called upon to help out during critical periods at other pools. As soon as his assignment in one of the other pools is finished, he returns to his base pool, where his not handling time (e.g. breaks) will therefore be recorded.

related both to the pool into which an employee is clocked and other pools. Assume for example that an employee is clocked into an opening unit but is told to take a half hour break after which he is supposed to clock into and go to a manual letter sorting operation, which it is expected will at that time have work for him. Degen's approach essentially assumes that the cost of that employee while on break is causally related only to the operation where he was, but is no longer needed, i.e., the opening unit. One could just as well argue that those costs belong to the operation the employee is going to. Resolving this issue would require an in-depth analysis of the factors that facility managers and supervisors consider when they make staffing decisions.

b. No. There are two main problems with Degen's approach to distribution of not handling costs. He ignores the fact that there are many types of not handling activity and he ignores (or assumes out of existence) all cross-pool cost relationships.

c. Distributing the not handling costs in a pool based only on the mail handling costs within the same pool would be appropriate only if it could be demonstrated that there is no causal relationship to any costs incurred outside the given pool.

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USPS/TW-T1-22. Please refer to your testimony at page 29, lines 1-4.

a. You state that "Barker's explanation would make sense if most of the new not handling costs occurred in the most automated operations." Please confirm that evaluating this statement requires examining changes in not-handling costs over time. If you do not confirm, please explain fully.

b. You then state that "as can be seen from Degen's data, most of these costs occur at non-automated operations." Please confirm that witness Degen's data is specific to a single point in time.

c. Please explain in detail how you purport to evaluate the statement in part (a) using data for a single point in time. Please state clearly and justify all assumptions you would need to employ for this purpose.

USPS/TW-T1-22.

a-c. The not handling costs discussed in the part of my testimony that you refer to are those assigned activity codes 5610, 5620, 5700 and 5750 in the IOCS. They are distinct from the not handling costs traditionally referred to as "overhead" (i.e. costs of breaks/personal needs, clocking in/out and moving empty equipment), which also have grown a great deal. They are also distinct from the not handling costs associated with various window service and administrative functions, and from costs associated directly with specific subclasses. In the following I refer to not handling costs with activity codes 5610-5700 as "general not handling" costs.

Although the available historical data regarding these costs are limited, and Degen's data are available only for FY96, there is still sufficient information to confirm the statement in my testimony that you refer to. The reason is that in FY86, before the large-scale deployment of letter mail automation, these costs were only a small fraction of what they are today. That fact effectively allows comparison of two points in time, not one as your interrogatory suggests.

Mail processing costs with activity codes 5610 (letters/cards), 5620 (flats), 5700 (IPP's/parcels) and 5750 (mixed all shapes) can be extracted from the LIOCATT report for each fiscal year. A complicating factor is that these activity codes represent, not only not handling costs but also some mixed mail costs. In this docket it has become possible to separate the portion of these costs that represents not handling from the portion that represents mixed mail.

Another complication arises from the fact that around FY92 the Postal Service changed the instructions to IOCS clerks for collecting data on mixed mail. Prior to that time, class related information was collected on most mixed mail, resulting in a long range of activity codes representing for example "mixed First Class," "mixed second," "mixed

third," "mixed First and Priority," "mixed second and third," "mixed foreign mail" and many more similar combinations. Under the new data collection scheme, however, most of this information ceased to be recorded, and many of the previous mixed mail activity codes ceased to be used. Instead, most mixed mail costs are represented with codes 5610-5750, the ones also representing not handling costs, since FY92.

Table USPS-22a summarizes the mixed mail/general not handling costs according to LIOCATT report ALA85OP5 for FY86, FY96 and selected years in between. In FY86 total 5610-5750 costs were $303 million, while class specific mixed mail costs with various other activity codes were $637 million, for a total of $940 million. I don't know which portion of the $303 million 5610-5750 costs was for mixed mail and which portion was for not handling. Let us, however, make the most conservative assumption possible, namely that all $303 million were not handling costs.

Table USPS-22a: Mixed Mail & General Not Handling Costs Per LIOCATT ($1,000's)

	FY86	FY89	FY92	FY93	FY95	FY96
Misc. Mixed	637,135	797,500	108,599	30,925	18,741	24,590
5610	7,572	810	607,022	688,090	761,663	709,128
5620	4,998	449	223,445	242,072	273,124	262,455
5700	0	16	29,620	33,831	40,307	122,960
5750	290,337	652,179	1,501,159	1,650,207	1,727,488	1,545,091
Total	940,042	1,450,954	2,469,846	2,645,126	2,821,323	2,664,224

Table USPS-18b tabulates the general not handling costs (excluding mixed mail costs) in FY96, extracted from Degen's MODS/IOCS data for MODS offices, NonMODS offices and BMC's. The table uses tally costs, rather than accrued or volume variable costs, in order to facilitate comparison with the FY86 data.

As the table shows, the FY96 not handling portion of the 5610-5700 costs was $1,883 million, with the 5750 (mixed all shapes) portion equal to $1,029 million. In other words, the 5610-5750 not handling costs increased from no more than $303 million in FY86 to $1,883 million, at least a six-fold increase, during the period when letter mail automation was being deployed in postal facilities. Even allowing for wage inflation (roughly 43% in the period) and some volume increase, there can be little doubt that most of today's very high not handling costs are related to the changes in mail processing over the last ten years.[1] I find it hard to believe that the Postal Service can simply ignore this historical fact and claim that the problem with high not handling

[1] Additionally, it is very unlikely that none of the $303 million represented mixed mail, since an IOCS clerk in FY86 who saw an employee handle a container with all kinds of classes and shapes in it would have recorded information leading to activity code 5750. If a significant portion of the $303 million in FY86 were for mixed mail, then the increase in not handling costs is more than six-fold during the period.

costs has been "addressed" by attributing most of these costs to the least automated mail.

Table USPS-22b: FY96 General Not Handling Tally Costs ($1,000's)					
	5610	5620	5700	5750	Total
MODS	481,419	170,449	51,316	781,888	1,485,072
NonMODS	81,403	24,952	13,115	124,875	244,344
BMC	1,530	904	29,284	121,939	153,657
Grand Total:	564,352	196,305	93,714	1,028,702	1,883,074

The part of my testimony that you question states that most of these costs occur at non-automated operations. The correctness of that statement can be seen simply from the fact that over half of these costs in FY96 (as in FY86) had activity code 5750 (mixed all shapes), indicating that they were incurred at the generally non-automated allied operations rather than at piece sorting operations, some of which are automated. Additionally, my statement implies that most of the new not handling costs do not occur at the most automated operations. That too can easily be proven based on the FY86 and FY96 data.

As the two tables above demonstrate, not handling costs with activity code 5610-5750 increased by at least $1,580 million ($1,883-$303) during the period. To prove the second point, it is only necessary to show that at least half of these additional costs were added at non-automated operations. In other words, that at least $303+0.5*$1,580 = $1,093 million of the FY96 general not handling costs occurred at non-automated operations. Since neither operations that give rise to 5750 not handling costs, nor flats operations, which give rise to the 5620 costs, are automated, and the combined 5620 and 5750 costs are $1,225 million, my point is already demonstrated.[2]

Furthermore, even the 5610 (letter specific) not handling costs occur more frequently at non-automated than at automated operations. That can be seen from Table USPS-22c, which breaks down the 5610-5750 not handling tally costs in MODS facilities by cost pool and activity code. As the table shows, some (letter specific) 5610 costs occur at many cost pools not related to letter sorting, although they are concentrated at the letter pools.[3] Let us focus on those that are shown at letter pools. The 5610 not handling tally

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[2] Even the FSM sortation that reads mailer provided barcodes is not an automated operation, since flats still have to be hand-fed one at a time.

[3] 5610 costs may occur at non-letter cost pools because employees are clocked into the wrong operations, or because some other operations have letter specific sub-operations (e.g. the cancellation/meter prep operation), or because an employee at for example an opening unit brings mail to a letter operation and then waits around before returning to his own operation. In either case, it is most appropriate that these costs be attributed to letter mail, as is done with my proposed method.

costs at the OCR, BCS, LD15 and LD41 automated operations add up to $155.913 million in MODS offices. But at manual and mechanized letter operations, i.e., the MANL, LSM, LD42 and LD43, they are $198.833 million. Since the 5610 costs in FY86 were practically zero, it follows that even the letter-specific portion of not handling costs has grown more at the non-automated than at the automated operations.[4]

Going back to Table USPS-22a, the 5750 costs more than doubled between FY86 and FY89, while the various mixed mail codes increased only moderately. From FY92 on, comparison becomes difficult because due to the new data collection scheme most mixed mail costs are also recorded with codes 5610-5750. Note, however, witness Barker's R94-1 testimony that almost all the increase in mixed mail costs had been in the not handling category.

I tend to believe that the Postal Service, were it willing to do so, could provide tabulations showing the annual increases in each type of not handling cost since at least FY86, using IOCS tapes from each year.[5] I recommend that the Postal Service attempt to extract this information in order possibly to gain a better understanding of exactly how not handling costs have grown over the past ten years and why they have grown so much.[6]

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[4] This comparison between automated and non-automated letter operations might be more evenly balanced if one could include the (unknown) not handling costs at remote encoding centers (REC's). Use of tally costs allows consideration only of the portion of the LD15 cost pool that is incurred at general processing facilities, since no tallies are taken at the REC's. On the other hand, the above comparison excludes NonMODS offices, which generally are much less automated than MODS offices and where the percentage of 5610 costs incurred at non-automated operations is therefore likely to be larger.

[5] The ability to separate the mixed mail and not handling portions of the 5610-5750 costs does not depend on MODS data but on the use of previously unused IOCS data fields.

[6] Between FY95 and FY96, there appears to have been a drop in total mixed mail and general not handling costs. I assume this reduction, which occurred mainly in the categories 5610 (mixed letters) and 5750 (mixed all shapes), is at least partly related to the change in IOCS instructions that expanded the use of the top piece rule. I am not aware of any explanation for the sharp increase in 5700 (mixed parcels) costs that appears to have occurred between FY95 and FY96.

Table USPS-22c: MODS General Not Handling Tally Costs Per Cost Pool ($1,000's)					
Cost Pool	5610	5620	5700	5750	Total
BCS/	112,850	122	150	3,505	116,627
EXPRESS	230	261	466	4,904	5,861
FSM/	4,018	72,012	163	4,673	80,866
LSM/	54,859	630	199	2,034	57,722
MANF	4,131	49,671	241	4,308	58,352
MANL	115,004	4,081	636	14,783	134,504
MANP	580	298	4,951	6,116	11,945
MECPARC	54	0	1,356	949	2,359
OCR/	33,761	122	0	1,020	34,903
PRIORITY	853	598	9,654	21,664	32,769
SPBS OTH	291	247	3,537	31,876	35,951
SPBSPRIO	181	261	1,422	8,951	10,815
BUSREPLY	555	0	140	909	1,604
INTL	3,306	1,262	1,895	10,739	17,202
LD15	1,430	0	0	996	2,426
LD41	7,872	48	0	714	8,634
LD42	548	321	0	76	945
LD43	28,422	8,355	7,347	33,081	77,205
LD44	7,451	527	247	7,724	15,949
LD48 EXP	0	0	0	0	0
LD48 OTH	1,978	456	315	5,690	8,440
LD48_SSV	1,207	209	108	2,674	4,197
LD49	758	62	0	2,644	3,463
LD79	305	0	100	3,441	3,847
MAILGRAM	0	0	0	139	139
REGISTRY	522	206	51	3,016	3,795
REWRAP	436	0	349	2,087	2,872
1BULK PR	264	0	137	2,115	2,516
1CANCMPP	19,001	2,804	306	33,584	55,696
1EEQMT	0	63	130	4,209	4,403
1MISC	5,702	1,853	327	15,725	23,606
1OPBULK	8,970	4,810	1,793	38,952	54,524
1OPPREF	29,477	7,986	5,593	102,622	145,678
1PLATFRM	7,816	3,397	5,093	263,932	280,239
1POUCHNG	23,453	8,218	1,950	66,397	100,018
1SACKS_H	1,161	1,001	1,489	36,222	39,873
1SACKS_M	145	0	779	13,223	14,147
1SCAN	479	250	220	15,412	16,361
1SUPPORT	1,514	319	68	6,989	8,890
LD48_ADM	1,834	0	99	3,796	5,730
MODS Total	481,419	170,449	51,316	781,888	1,485,072

RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF UNITED STATES POSTAL SERVICE

USPS/TW-T1-23. Please refer to TW-T-1, footnote 21, and to the table provided as Attachment 1 to this interrogatory.

a. Is it your testimony that the only explanation for "letters being sorted at flats cases" is that employees are clocked into MODS operations other than what they are working (i.e., "misclocking")? If not, please explain your testimony.

b. Please confirm that the table provided as Attachment 1 to this interrogatory provides a breakdown of IOCS clerk/mailhandler tallies by shape and the employee's sampled (as opposed to clocked-in) operation, recorded in IOCS question 19. If you do not confirm, please provide the breakdown you believe to be correct, and a detailed description of the procedures you used to develop this alternative breakdown.

c. Please confirm that the data in Attachment 1 show that some employees who are sampled at flats cases were observed handling letter-shape mailpieces (and vice-versa). If you do not confirm, please explain your interpretation of the data.

d. Please confirm that there must be explanations other than misclocking for letters being handled at flats cases. If you do not confirm, please explain how misclocking affects recording of the employees' sampled operation.

e. Is a possible explanation for "letters being sorted at flats cases" (and vice-versa) that the letter and flat mailstreams are not "pure" (i.e., pieces of one type appear within other mailstream), since the dimensions of pieces are not individually measured when the letter and flat mailstreams are separated? Please explain fully.

USPS/TW-T1-23.

a. I cannot testify as to why all shapes appear to be handled almost everywhere in the postal system, according to the IOCS/MODS data, only that that is what the data appear to show. Note that the word "misclocking" does not appear in my testimony.

b. I do not posses the resources necessary to replicate the table in your Attachment 1. For the purpose of answering the remaining questions in this interrogatory I will assume that the table is correct.

c. Confirmed.

d. Confirmed that "misclocking" apparently is not the only reason. In order to get a rough idea of whether "misclocking" might nevertheless be a contributing factor to the presence of letters at flats cases, etc., in the Degen data, I have performed a simple comparison summarized in the table below. I made the comparison for the four letter and two flat sorting operations that can be identified both in Attachment 1 and in Table A-4 of my testimony, which shows the direct volume variable costs of handling letters/cards, flats and IPP/parcels at each MODS cost pool.

For each of these operations, I calculated the percentage of unexpected shapes, both in Attachment 1 representing the IOCS Question 19 data and in my Table A-4 which is based on the MODS/IOCS data. For example, at letter cases in Attachment 1 there are a total of 21,898 tallies with identified shape. Of those, 503 tallies, or 2.3%, indicate flats, IPP's or parcels. In the MODS IOCS data, however, 4.34% of the shapes at manual letter cases are non-letters.

Unexpected Shapes At Sorting Operations		
Piece	Percent Wrong Shape	
Distribution	MODS/IOCS	IOCS Q19
Letter Case	4.34%	2.30%
OCR	1.44%	0.65%
BCS	0.47%	0.70%
LSM	0.78%	1.71%
Flats Case	7.38%	3.46%
FSM	3.33%	2.16%

Besides manual letter cases, the largest differences between the two sets of data are at manual flats cases and at FSM's. At manual flats cases, the IOCS Question 19 data indicate 3.46% of the shapes as non-flats. That percentage more than doubles, to 7.34%, in the MODS/IOCS data. Note also that most non-flat tallies at flat cases in the Question 19 data are parcels, which may well have been parcels resembling flats and capable of being sorted at flat cases. In the MODS/IOCS data, however, most of the additional non-flats are letters. The percentage of letters at flats cases is 1.34% according to the Question 19 data, but 5.03%, almost four times as much, in the MODS/IOCS data.

From this admittedly somewhat unscientific comparison it appears that while "misclocking" is not the only factor causing letters and flats to appear at operations where one would not expect to find them, it nevertheless is a major contributing factor, especially at manual flats cases, manual letter cases and FSM's.

There are at least two other reasons why the additional effect of "misclocking" may be larger than the above comparison indicates. Some MODS tallies did not allow MODS numbers to be determined and for those tallies Degen's program assigns the cost pool one would expect based on other data. Additionally, it is reasonable to assume that in cases where IOCS clerks did not know the MODS numbers employees were clocked into, they would have tended to assume the numbers where employee were working, even if they were actually clocked somewhere else. I know of no way to quantify the possible impact of these factors.

In any case, the Attachment 1 data do not explain why in Degen's data so many employees appear at mail processing operations while engaged in window service

or administrative work. Nor do they make any less likely the tendency for employees in many facilities to be clocked into allied operations while in fact working elsewhere, as described by the USPS Inspection Service's audit team in USPS LR-H-236.

e. I assume that by separation of the letter and flat mailstreams you refer to the culling process applied to collection mail. I agree that that process may allow some mail pieces to be entered into the wrong mailstream. This is one possible explanation for the phenomenon illustrated in Attachment 1.